

Testimony on Adding a Real Estate Investment Trust Option
to the Thrift Savings Plan
Congressman Richard E. Neal
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Good afternoon, Chairman Porter and Ranking Member Davis, and to the rest of the committee. I appreciate having the opportunity to be with you today.

I'm here this afternoon with my good friend and colleague, Congressman Foley, in our capacity as co-chairs of the Congressional Real Estate Caucus, to urge the members of the Committee to support giving our federal workers a new real estate investment trust option as part of the thrift savings plan.

Adding a real estate investment trust, or REIT (*pronounced REET*), to the TSP would give federal workers the opportunity to achieve greater diversification of their investment portfolios, potentially making their investments more stable and more secure.

Retirement savings are a sacred trust. The individuals responsible for designing and administering these plans uphold a precious responsibility—that when people who have worked hard all their lives reach retirement, the funds that they have invested will be there to sustain them for the next chapter of their lives.

When we think about adding another fund to the TSP, we should carefully consider a variety of issues, such as whether the dividend income is dependable, long-term performance, whether it is workable administratively, costs associated, and so forth.

But the bottom-line question that we need to focus on is whether it will help federal workers achieve retirement security. Is it a good investment tool for them?

In the case of REITs, the answer is clearly “yes.”

Recent history has shown us all too many heartbreaking examples of what can happen when people fail to diversify their retirement savings. My clearest memory of the Enron and WorldCom scandals is of the interviews with former employees who were left wondering how they would manage after the companys' implosions also took down their retirement savings.

It's an extreme example but an important lesson in why workers should be encouraged not to put all their eggs into one basket.

A REIT investment option would give federal employees one more opportunity to achieve meaningful diversification of their retirement portfolios.

Researchers have determined that the returns on real estate investments are appreciably different than the yields from other forms of investment. For example, then, when the stock market is falling, it isn't necessarily the case that REITs would also be declining.

Institutional investors recognize this and routinely include real estate in their portfolios.

Mr. Chairman, members of the Committee, I believe that REITs would offer federal workers an outstanding investment opportunity. They combine reliable income with excellent long-term performance, and they offer an outstanding means of diversifying workers' retirement portfolios.

Thank you for the opportunity to be with you today.